

CHAPTER 7: 70TH ANNIVERSARY OF THE JOINT ECONOMIC COMMITTEE

Chapter 7 of the *Report* Commemorates the 70th Anniversary of the Council of Economic Advisers, which was created by the *Employment Act of 1946*. The same statute created the Joint Economic Committee.

The legislative history of the 1946 Act illustrates the tension that exists between interventionist and free-market economic philosophies. This chapter commemorates the 70th anniversary of the JEC by discussing its history, prestige over the years, and continuing role in advising Congress and contributing to sound economic policy.

The *Employment Act of 1946*, signed into law on February 20, 1946, established two advisory panels: the President’s Council of Economic Advisers, and its congressional counterpart, the Joint Economic Committee. The legislative history behind the Act illustrates the competing political philosophies in the 20th Century—which continue today—about the proper role of government in influencing economic conditions.

Origins of the Employment Act of 1946

With the Great Depression in recent memory and World War II not yet ended, Senator James E. Murray of Montana introduced the Full Employment Bill of 1945.¹ As a strong supporter of President Roosevelt’s New Deal, Senator Murray had an interventionist view of the economy and aimed to establish full employment as a “right” to be assured by the Federal Government. The bill’s “Statement of Policy” declared that:

*All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment, and it is the policy of the United States to assure the existence at all times of opportunities to enable all Americans who have finished their schooling and who do not have housekeeping responsibilities to freely exercise that right.*²

The bill seemed to contemplate unlimited Federal spending to enforce this right, stating that:

*[I]t is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditures as may be needed to assure continuing full employment.*³

To that end, the bill directed the President to submit an annual “National Production and Employment Budget” to be referred to as the “National Budget.” The National Budget would evaluate and provide estimates of the labor force and the extent to which investments by the private

sector and other non-Federal sources would provide the necessary conditions for full employment. To the extent the National Budget deemed these non-Federal investments “insufficient to provide a full employment volume of production,” the bill directed the President to submit a program for Federal spending that would sustain the level of production the National Budget determined necessary for full employment.⁴

The bill also created a congressional Joint Committee on the National Budget to study and advise Congress on the National Budget. The proposed Joint Committee would include chairmen of some of the most powerful committees in both the Senate and House of Representatives.

Legislative Compromise

In the year following the bill’s introduction, World War II ended. Congress remained concerned about employment opportunities, particularly for the veterans returning home from the battlefield. However, as the bill was revised while moving through the legislative process, it became less interventionist and placed more emphasis on the role of the private sector.⁵



President Truman signs the Employment Act of 1946
Source: Federal Reserve History

By the time President Harry S Truman signed the *Employment Act of 1946* into law, the term “full employment” was removed from the title of the bill, as was the characterization of full employment as a “right” that should be enforced by the spending power of the Federal Government.

While the 1946 Act still envisioned a strong role for Federal policymakers in the economy and a goal of “maximum” employment, this was softened to focus more on creating opportunities and fostering certain conditions. It also placed a greater emphasis on the private sector, reflecting a compromise between interventionists and those with a more free-market philosophy.

The new Declaration of Policy stated that it is the Federal Government's role to use its resources "for the purpose of creating and maintaining, in a manner calculated to foster and promote free and competitive enterprise and the general welfare, conditions under which there will be afforded useful employment for those able, willing, and seeking work, and to promote maximum employment, production, and purchasing power."⁶

By the time of the final compromise, the National Budget had become the *Economic Report of the President*. While this report would still evaluate economic conditions and outline the President's programs for improving them, it no longer assumed that Federal spending programs were the necessary tools of those policies.

Recognizing that the President would need economic expertise to assist with the *Economic Report of the President*, the 1946 Act created the Council of Economic Advisers within the Executive Branch. Among its duties, the Council was charged with submitting an annual report to the President. The *Economic Report of the President* and CEA's annual report are the genesis of this year's *Report* issued by CEA.

Similarly, the advisory committee for Congress—termed the Joint Committee on the National Budget in the original bill—became the Joint Economic Committee on the Economic Report, later renamed the Joint Economic Committee. The duties outlined for the JEC included a continuing study of matters in the *Economic Report of the President*, a study of ways to coordinate programs in order to achieve the goals of the 1946 Act, and a response to the *Economic Report* as a guide to Congress. The latter duty of the JEC is being fulfilled by the issuance of this *Response*.

The JEC was designed to include an equal number of members of the House and Senate, in a manner reflecting the party composition of Congress. For this reason, while the CEA has generally served and promoted the views of one President, the JEC has reflected the diversity of views that exist within Congress.

Later Amendments to the 1946 Act

When Senator Hubert H. Humphrey was Chairman of the JEC, he noted in a 1976 hearing, "It is my judgment that [the 1946 Act] has, from time to time, been conveniently ignored."⁷ He believed Congress should enact legislation to set more explicit employment objectives, and wanted the government to provide jobs should these employment goals not be achieved.⁸ In the following Congress, the *Full Employment and Balanced Growth Act of 1978* was enacted, known as "Humphrey-Hawkins."⁹ Although Senator Humphrey passed away before President Jimmy Carter signed the bill into law, his widow, Muriel Humphrey, succeeded him in the Senate and attended the signing ceremony.



*Senator Muriel Humphrey shakes the hand of President Carter at the signing ceremony for the 1978 Act
Source: Associated Press*

Humphrey-Hawkins made several amendments to the *Employment Act of 1946*, which—like the 1946 Act—reflected a number of compromises between those in Congress who were interventionist and those who were concerned about fiscal responsibility and maintaining the primary role of the private sector in maximizing employment.

The Declaration of Policy in the 1946 Act was amended to change “maximum” to “full” employment and include additional economic and policy goals beyond employment and production, including price stability (given the high level of inflation in 1978) and increased real income. Other goals included “balanced growth, a balanced Federal budget, adequate productivity growth, proper attention to national priorities, [and] achievement of an improved trade balance through increased exports.”

While stopping short of having Congress establish full employment as a statutory right to be enforced by the Federal Government, the 1978 Act referred to full employment as if it were an inherent right that already existed. Rather than establishing a national right, the Statement of Policy established a national “goal” of fulfilling a nebulous “right to full employment” it assumed already existed beyond statute.

In a nod to fiscal responsibility and the role of the private sector, the 1978 Act amended the 1946 Act to clarify that its purpose is “to rely principally on the private sector for expansion of economic activity and creation of new jobs for a growing labor force.” To promote private-sector reliance, the amendment clarified that the law’s purpose was to encourage “the adoption of fiscal policies that would establish the share of the gross national product accounted for by Federal outlays at the lowest level consistent with national needs and priorities.”

Significantly, as detailed in Chapter 2, CBO recently determined that outlays as a share of GDP are above their historical average and on a decidedly upward trend over the next decade,¹⁰ seemingly contrary to the purpose enumerated in the amended 1946 Act.

Role of the Joint Economic Committee

As the economic and fiscal policy goals outlined in the 1946 Act expanded in 1978, so did the breadth of the JEC's mandate to study economic policy and programs that would achieve those goals. Through the 1978 amendments, the JEC's authority grew to issuing a monthly economic indicators report and analyzing the short- and medium-term goals of the *Economic Report of the President* for the House and Senate Budget Committees.¹¹

Regarding economic indicators, Colleen Healy—long-time staffer for the Joint Economic Committee—recalls the days before economic data was widely available electronically. In that era, the JEC was considered the preeminent source of the most recent and comprehensive information on economic indicators. Members of Congress, congressional staff, members of the media, and many others frequently visited the Committee's office in order to procure paper copies of the latest data. Today, the JEC still distributes and analyzes economic data, but does so chiefly through electronic means.

Under its current structure, the JEC is composed of 10 Members of the House of Representatives and 10 Members of the Senate, in proportions reflecting the party composition of Congress. The chairmanship of the JEC alternates between the House and Senate each Congress. Due to the changing leadership and composition of the Committee, the JEC over the years has chosen to emphasize different goals within the 1946 Act, as well as different means of achieving them. One constant has been the JEC's role as the economic think tank and incubator of ideas for Congress.

Prestige of the Joint Economic Committee

Taking stock of the JEC's growing contributions to public discourse, President Eisenhower wrote, "The JEC and the Congress through special studies and public hearings have become a major instrument in promoting better economic understanding."¹²

As noted by former Senate Historian Richard Baker, a 1952 *Nation's Business* article stated the following:

*[The Joint Economic Committee] has been called the country's 'most important economic policy group.' ... The committee... has been a major force in shaping American economic policy not only in Congress but in the [Eisenhower] Administration and business world as well. Its studies and publications are must reading among economists. The accomplishments of the Joint Economic Committee, in the decade following its creation, confirmed the goals of congressional reformers who had long sought to strengthen the quality and independence of expertise available to members of Congress.*¹³

The Committee has also drawn a number of renowned economists in its 70-year history. In fact, economist Paul Douglas chaired the Committee in its infancy. It was Douglas who, in part, constructed the Cobb-Douglas utility function, one of the foundations of modern microeconomic theory.

In 1957, *Business Week* featured the talented team of staff economists on the Joint Economic Committee:

*They perform many of the tasks that economists perform for private business, and that the Council of Economic Advisers performs for the President. But there's this difference: Instead of working in the quiet retreat preferred by economists, [they] perform always in the glare of political controversy. They deal with such explosive matters as taxation, tight money, and rising prices—and do it with powerful [Members] of both parties looking over their shoulders.*¹⁴

As the Committee's reputation grew, it attracted some of the most well-known economists of the modern era who would help foster debate on what would become the two main competing theories in public economics—Keynesian and supply-side theory and practice.

Norman Ture, one of the foremost advocates of supply-side economics and one of the architects of the 1964 and 1981 tax cuts, began his career as a JEC staffer. His primary duty was to organize tax policy hearings, information from which he would later use when crafting policies for Presidents Kennedy, Johnson, and Reagan. His focus on creating a simpler and less burdensome tax code culminated in the first hearing to be held on the notion of a flat tax—a concept that permeates almost any contemporary discussion of tax reform to this day.¹⁵

Other important milestones in the history of the JEC include its role in moving away from the gold standard, recommending tax cuts in the 1960s, and providing leadership during the vast tax reforms of the 1980s.¹⁶

In the 1960s, the JEC recommended broad-based tax cuts to promote economic growth and reach full employment. In its *Joint Economic Report* of 1961, Members recommended a “review [of] the tax structure with a view to recommending a downward revision of taxes—not a temporary ‘tax cut’—and that it make further periodic reviews for the same purpose, say, every five years.”¹⁷ This forced the CEA to concur in its *Economic Report of the President* and ultimately paved the way for the 1964 tax cuts.

The Committee once again called for tax cuts and simplification of the tax code during the Reagan administration. In the *1980 Joint Economic Report*, the Committee outlined why cutting taxes had become so difficult:

*Policymakers have not viewed tax reductions as an important device to improve the structure of the economy because of the absence of economic models capable of adequately assessing the effects of supply side tax policies.*¹⁸

Not long thereafter, the Committee worked to create such a model and remove one of the barriers to progress. The model showed that “tax policies, such as depreciation schedule adjustment, can lower the inflation rate substantially over the decade.” Senator Lloyd Bentsen, Chairman of the JEC in 1980, wrote, “This new model is an important tool which will help policymakers implement the supply side policies which are being advocated by the JEC.” The model would prove instrumental in gaining support for the 1981 and 1986 tax rate reductions.

Additionally, the Committee has followed a tradition of hearing annual testimony from the Chair of the Federal Reserve Board of Governors, dating back to Chairman Marriner Eccles in 1947. In December 2015, Chair Janet Yellen testified before the JEC shortly before the Fed announced its much-anticipated increase in interest rates.

The Joint Economic Committee also boasts an extraordinarily distinguished group of alumni. In alphabetical order, some notable names include:

- Lloyd Bentsen, Democratic Vice-Presidential nominee, Secretary of the Treasury, and U.S. Senator from Texas
- Sam Brownback, Governor of Kansas and U.S. Senator from Kansas
- J. William Fulbright, founder of the Fulbright scholarship program and U.S. Senator from Arkansas
- Barry Goldwater, Republican Presidential nominee and U.S. Senator from Arizona
- Al Gore, Vice President, Democratic Presidential nominee, and former U.S. Senator from Tennessee
- Hubert H. Humphrey, Vice President, Democratic Presidential nominee, and U.S. Senator from Minnesota
- John F. Kennedy, 35th President of the United States and U.S. Senator from Massachusetts
- George McGovern, Democratic Presidential nominee and U.S. Senator from South Dakota
- Donald Rumsfeld, two-time Secretary of Defense and U.S. Congressman from Illinois
- Paul Ryan, current Speaker of the House of Representatives, Republican Vice-Presidential nominee, and U.S. Congressman from Wisconsin
- Robert Taft, former Senate Majority Leader and U.S. Senator from Ohio
- James Webb, Secretary of the Navy and U.S. Senator from Virginia

Commemorating the 70th Anniversary

With each anniversary, the JEC takes time to reaffirm its dedication to promoting fiscal policy that achieves America’s economic goals. Fifty years ago, President Truman wrote, “Twenty years ago

today, as President, I signed into law the Employment Act of 1946. It is significant that the JEC has chosen this anniversary date for a bipartisan rededication to the great objectives of the Employment Act and a reconsideration of our national goals and the means of achieving them.”¹⁹

Chairman Dan Coats recently issued the following statement in honor of the Committee’s 70th anniversary:

*For 70 years the Joint Economic Committee has served as Congress’s incubator of economic thought and a vital sounding board for fiscal policy proposals. The JEC continues to foster important discussion on ways to encourage growth in our changing world.*²⁰

Over the last 70 years, the U.S. economy has experienced a great amount of turbulence that has required the attention of the JEC. Since the 1946 Act was enacted, 12 Presidents have been in the White House, 11 recessions have roiled the economy, and countless booms and busts—for example, the housing and dot-com bubbles—have tested America’s policymakers.²¹

The Joint Economic Committee remains dedicated to fulfilling the mandates set out by the *Employment Act of 1946* by advising Congress on the appropriate policy tools for achieving economic goals, as well as examining and presenting data in new and creative ways. As the economy changes, the Committee will continue to adapt and provide insightful analyses and advice to Congress. Lawmakers have relied and called upon the Committee and its staff for 70 years. The Joint Economic Committee looks forward to answering whatever calls lie ahead in the next 70.

Figure 7-1

Joint Economic Committee Leadership (1946-present)			
Name of Chairman/Chair	Party-State	Date(s) Served	Congress
Sen. Dan Coats	(R-IN)	2015-present	114th
Rep. Kevin Brady	(R-TX)	2013-2014	113th
Sen. Robert Casey Jr.	(D-PA)	2011-2012	112th
Rep. Carolyn Maloney	(D-NY)	2009-2010	111th
Sen. Charles Schumer	(D-NY)	2007-2008	110th
Rep. Jim Saxton	(R-NJ)	2005-2006	109th
Sen. Robert Bennett	(R-UT)	2003-2004	108th
Rep. Jim Saxton	(R-NJ)	2001-2002	107th
Sen. Connie Mack	(R-FL)	1999-2000	106th
Rep. Jim Saxton	(R-NJ)	1997-1998	105th
Sen. Connie Mack	(R-FL)	1995-1996	104th
Rep. David Obey	(D-WI)	1993-1994	103rd
Rep. Kweisi Mfume	(D-MD)	April 1994	103rd
Sen. Paul Sarbanes	(D-MD)	1991-1992	102nd
Rep. Lee Hamilton	(D-IN)	1989-1990	101st
Sen. Paul Sarbanes	(D-MD)	1987-1988	100th
Rep. David Obey	(D-WI)	1985-1986	99th
Rep. Gillis Long *	(D-LA)	January 1985	99th
Sen. Roger Jepsen	(R-IA)	1983-84	98th
Rep. Henry Reuss	(D-WI)	1981-82	97th
Sen. Lloyd Bentsen	(D-TX)	1979-80	96th
Rep. Richard Bolling	(D-MO)	1977-78	95th
Sen. Hubert Humphrey	(D-MN)	1975-76	94th
Rep. Wright Patman	(D-TX)	1973-74	93rd
Sen. William Proxmire	(D-WI)	1971-72	92nd
Rep. Wright Patman	(D-TX)	1969-70	91st
Sen. William Proxmire	(D-WI)	1967-68	90th
Rep. Wright Patman	(D-TX)	1965-66	89th
Sen. Paul Douglas	(D-IL)	1963-64	88th
Rep. Wright Patman	(D-TX)	1961-62	87th
Sen. Paul Douglas	(D-IL)	1959-60	86th
Rep. Wright Patman	(D-TX)	1957-58	85th
Sen. Paul Douglas	(D-IL)	1955-56	84th
Rep. Jesse Wolcott	(D-MI)	1953-54	83rd
Sen. Joseph O'Mahoney	(D-WY)	1951-51	82nd
Sen. Joseph O'Mahoney	(D-WY)	1949-50	81st
Sen. Robert Taft	(R-OH)	1947-48	80th
Sen. Joseph O'Mahoney**	(D-WY)	February 20, 1946	79th
Rep. Edward Hart**	(D-NJ)	February 20, 1946	79th

* Passed away before committee organized

**Co-Chairmen

¹ S. 380 (79th Congress), as introduced on January 22, 1945.

² *Ibid*, Section 2(b) of S. 380 (79th Congress), as introduced.

³ *Ibid*, Section 2(f).

⁴ *Ibid*, Section 3.

⁵ Aaron Steelman, "Employment Act of 1946," Federal Reserve Bank of Richmond, February 20, 1946, <http://www.federalreservehistory.org/Events/DetailView/15>

⁶ Federal Reserve Bank of St. Louis, "Employment Act of 1946," February 20, 1946, https://fraser.stlouisfed.org/scribd/?title_id=1099&filepath=/docs/historical/congressional/employment-act-1946.pdf#scribd-open

⁷ Aaron Steelman, "Full Employment and Balanced Growth Act of 1978," Federal Reserve Bank of Richmond, October 1978, <http://www.federalreservehistory.org/Events/DetailView/39>

⁸ *Ibid*.

⁹ Public Law 95-523.

¹⁰ CBO (January 2016).

¹¹ Jessica Tollestrup, "History and Authority of the Joint Economic Committee," *Congressional Research Service*, September 2, 2015, <https://www.fas.org/sgp/crs/misc/R41519.pdf>. P. 1-2.

¹² President Dwight D. Eisenhower, "Twentieth Anniversary of the Employment Act of 1946 an Economic Symposium," *Joint Economic Committee*, February 23, 1966. P. 113.

¹³ Grover W. Ensley interview by Richard A. Baker, October 29, 1985.

¹⁴ "Congress' Own Brain Trust," *Business Week*, July 20, 1957.

¹⁵ Bruce Bartlett, "The Joint Economic Committee in the Early 1980s: Keynesians versus Supply-Siders," *Cambridge University Press*, 2015, http://www.academia.edu/9691068/The_Joint_Economic_Committee_in_the_Early_1980s_Keynesians_versus_Supply-Siders, p. 184.

¹⁶ Jane Seaberry, "Critics Say Joint Economic Committee Has Lost Its Influence," *Washington Post*, September 28, 1986.

¹⁷ "1961 Joint Economic Report," Joint Economic Committee, 1961, [http://www.jec.senate.gov/reports/87th%20Congress/Joint%20Economic%20Report%20on%20the%201961%20Economic%20Report%20of%20the%20President%20\(177\).pdf](http://www.jec.senate.gov/reports/87th%20Congress/Joint%20Economic%20Report%20on%20the%201961%20Economic%20Report%20of%20the%20President%20(177).pdf)

¹⁸ "1980 Joint Economic Report," Joint Economic Committee, 1980, [http://www.jec.senate.gov/reports/96th%20Congress/The%201980%20Joint%20Economic%20Report%20\(960\).pdf](http://www.jec.senate.gov/reports/96th%20Congress/The%201980%20Joint%20Economic%20Report%20(960).pdf)

¹⁹ President Harry Truman, "Twentieth Anniversary of the Employment Act of 1946 an Economic Symposium," *Joint Economic Committee*, February 23, 1966, p. 112.

²⁰ Joint Economic Committee Republicans, press release, February 19, 2016.

²¹ National Bureau of Economic Research (NBER) Business Cycle Dating Committee, "US Business Cycle Expansions and Contractions," September 20, 2010, <http://www.nber.org/cycles.html>